



# Department of Justice

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## **JUSTICE DEPARTMENT REQUIRES DIVESTITURES IN MERGER BETWEEN ALLIEDSIGNAL AND HONEYWELL**

### **Parties Required to Divest Assets Generating \$250 Million in Annual Revenues**

WASHINGTON, D.C. -- The Department of Justice today announced that it has required AlliedSignal Inc. and Honeywell Inc. to divest significant portions of their avionics businesses in order to resolve the Department's competitive concerns involving their proposed \$16 billion merger.

AlliedSignal and Honeywell are major providers of avionics and other advanced technology products to a broad range of commercial, space and U.S. defense customers. The Department said the deal, as originally proposed, would have been anticompetitive, resulting in higher prices and lower quality for these products.

The Department's Antitrust Division filed a lawsuit and proposed consent decree today in U.S. District Court in Washington, D.C. The consent decree, if approved by the Court, would resolve the suit.

"Without these divestitures, a broad range of commercial, space and U.S. defense customers would likely have faced higher prices for advanced avionics products essential to their businesses, and diminished innovation, which is necessary to create next-generation products," said Joel I. Klein, Assistant Attorney General in charge of the Department's Antitrust Division.

"These divestitures ensure that competition will continue to flourish in these markets."

(more)

According to the complaint, the proposed merger would have substantially lessened competition in four product areas--traffic alert and collision avoidance systems; search and surveillance weather radar; reaction and momentum wheels, and inertial systems.

A traffic alert and collision avoidance system is an avionics product that reduces the potential for mid-air collisions between aircraft by identifying a collision threat and advising the pilot how to avoid it. The search and surveillance weather radar, a type of radar often used on helicopters during rescue missions, predicts inclement weather and allows the pilot to locate small objects, such as a boat or an oil drilling rig, during poor weather conditions. Reaction and momentum wheels are mechanical devices that move and stabilize satellites by spinning and generating a force to produce rotation. Inertial systems measure an object's velocity, position, and rate of rotation in order to calculate the object's position and heading. Inertial systems employ sophisticated components and technologies, including: micro-electro-mechanical systems (MEMS); fiber optic gyroscopes (FOGs); ring laser gyroscopes (RLGs), or mechanical rate gyroscopes (MRGs).

In each of the identified product areas, the merger of AlliedSignal and Honeywell would leave at most two or three major competitors. As a result, the Department alleged that those competitors would have been able to coordinate their pricing and more easily raise prices to customers.

Under the consent decree, AlliedSignal must divest its search and surveillance weather radar business in Olathe, Kansas; its space and navigation business in Teterboro, New Jersey, which produces RLGs, FOGs, and reaction and momentum wheels; its MRG business in Cheshire, Connecticut and a related repair business in Newark, Ohio; its MEMS business (based

on a technology known as microSCIRAS) in Redmond, Washington, and related MEMS licenses. Also, Honeywell must divest its traffic alert and collision avoidance systems business located in Glendale, Arizona.

AlliedSignal, headquartered in Morristown, New Jersey, is an advanced technology and manufacturing company producing aerospace products and services, automotive products, chemicals, fibers, plastics and advanced materials. The company reported total 1998 sales of approximately \$15 billion.

Honeywell, headquartered in Minneapolis, Minnesota, develops and supplies advanced technology controls and other products, systems and services to homes and buildings, industry, and space and aviation customers. It had annual revenues of approximately \$8.4 billion in 1998.

As required by the Tunney Act, the proposed consent decree resolving this lawsuit will be published in the Federal Register, along with the Department's competitive impact statement. Any person may submit written comments concerning the proposed decree during a 60-day comment period to J. Robert Kramer II, Chief, Litigation II Section, Antitrust Division, U.S. Department of Justice, 1401 H St., N.W., Suite 3000, Washington, D.C. 20005 (202-307-0924). At the conclusion of the 60-day comment period, the Court may enter the consent decree upon finding that it serves the public interest.

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